

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 EB-07 FRB-01 TRSE-00 L-03 NSC-05

CIAE-00 INR-07 NSAE-00 PA-02 USIA-15 PRS-01 SP-02

COME-00 SEC-01 XMB-04 CIEP-02 OMB-01 CEA-01 NEA-10

HUD-02 SIL-01 LAB-04 HEW-06 /097 W

----- 013896

R 141703Z NOV 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4404

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 18679

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING
NOVEMBER 13)

REF: BONN 18330

1. SALE OF GERMAN MUTUAL FUND SHARES IN U.S.A.:
ACCORDING TO A PRESS REVIEW OF THE FORTHCOMING ANNUAL
REPORT OF THE UNION-INVESTMENT GMBH, FRANKFURT, THE
COMPANY IS HOPING FOR A FAVORABLE SEC DECISION ON ITS
"LENGTHY AND LABORIOUS EFFORTS" TO GAIN PERMISSION FOR
SALE IN THE U.S.A. OF SHARES IN ITS MUTUAL FUND -
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UNIFOND. CURRENTLY, UNIFOND SHARES ARE SOLD ABROAD IN

SWITZERLAND, HOLLAND, BELGIUM, JAPAN AND IN THE SCANDINAVIAN COUNTRIES. FOREIGN SALES ARE ESTIMATED AT 25-30 PERCENT OF TOTAL OUTSTANDING SHARES.

2. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

	SPOT DOLLARS	ONE-MONTH	THREE-MONTH
FORWARD DOLLARS (DISCOUNTS IN PCT.P.A.)			
NOV. 7	DM 2.5620	-2.6	-2.7
10	2.5637	-2.3	-2.6
11	2.5567	-1.9	-2.4
12	2.5716	-1.9	-2.3
13	2.5638	-1.9	-2.5

WITHIN THE JOINT FLOAT THE POSITION OF THE DEUTSCHEMARK REMAINED VIRTUALLY UNCHANGED. THE NORWEGIAN CROWN WAS THE WEAKEST CURRENCY OF THE FLOAT.

3. MONEY MARKET: THE GERMAN MONEY MARKET TIGHTENED BUT EASED AGAIN LATER IN THE WEEK. A FACTOR CONTRIBUTING TO THE TIGHTENING MAY HAVE BEEN THAT GERMAN BANKS HAD TO REPAY BORROWINGS FROM THE BUNDESBANK MADE IN LATE OCTOBER UNDER THE SPECIAL TEN-DAY OPEN MARKET FACILITY. (IN THE LAST WEEK OF OCTOBER GERMAN BANKS BORROWED ALMOST DM 2 BILLION FROM THE BUNDESBANK UNDER THIS FACILITY.) DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
NOV. 7	3.5-3.4	3.4-3.9	3.9-4.2
10	3.5-3.7	3.4-3.9	3.9-4.2
11	3.8-4.0	3.5-3.7	4.0-4.2
12	3.5-3.7	3.5-3.8	4.0-4.2
13	3.2-3.5	3.5-3.8	4.0-4.2

4. BUNDESBANK FOREIGN POSITION: IN THE FIRST WEEK OF NOVEMBER (NOVEMBER 1 - 7) THE BUNDESBANK'S NET FOREIGN UNCLASSIFIED

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POSITION REMAINED UNCHANGED AT DM 80.7 BILLION. GERMANY'S IMF GOLD TRANCHE POSITION DECLINED BY DM 4 MILLION.

5. BANK LIQUIDITY: IN THE FIRST WEEK OF NOVEMBER BANK LIQUIDITY INCREASED BY DM 1.9 BILLION. FACTORS INCREASING LIQUIDITY WERE THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE FIRST WEEK OF A MONTH (DM 1.4

BILLION) AND A DM 1.8 BILLION REDUCTION IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. (AT THE END OF OCTOBER SUCH RESERVES WERE ABOUT DM 2 BILLION ABOVE OCTOBER RESERVE REQUIREMENTS). OTHER FACTORS, NET, INCREASED LIQUIDITY BY DM 0.1 BILLION. THE ONLY MAJOR FACTOR REDUCING LIQUIDITY WAS A DM 1.8 BILLION INCREASE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK. THIS IS IN CONTRAST TO THE USUAL DECLINE IN OFFICIAL BUNDESBANK

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R 141703Z NOV 75

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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ASSETS IN THE FIRST WEEK OF A MONTH BUT, ACCORDING TO THE BUNDESBANK, WAS DUE TO CREDIT MARKET BORROWINGS OF THE FEDERAL AND STATE GOVERNMENTS. SPECIAL OFFICIAL

ASSETS, ON THE OTHER HAND, DECLINED BY DM 0.4 BILLION (STABILITY SURCHARGE: MINUS DM 0.2 BILLION, COUNTER-CYCLICAL RESERVE: MINUS DM 0.1 BILLION, INVESTMENT TAX: MINUS DM 0.1 BILLION). THE BANKS USED THE INCREASE IN LIQUIDITY TO REPAY DM 1.8 BILLION OF BORROWINGS UNDER THE SPECIAL OPEN MARKET FACILITY AND TO REDUCE RE-DISCOUNT BORROWING BY DM 0.1 BILLION. WITH THE ABOVE MENTIONED DECLINE IN THE SPECIAL OFFICIAL ASSETS (INCLUDING THE DM 2.5 BILLION OF THE 1973 STABILITY LOAN OF THE FEDERAL GOVERNMENT WHICH WERE FULLY SPENT IN LATE UNCLASSIFIED

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APRIL/EARLY MAY OF THIS YEAR) SUCH ASSETS DECLINED FROM DM 10.7 BILLION AT THE END OF 1974 TO DM 4.0 BILLION ON NOVEMBER 7. FEDERAL GOVERNMENT ASSETS FELL FROM DM 7.2 BILLION TO DM 3.2 BILLION AND STATE GOVERNMENT ASSETS FROM 3.5 BILLION TO DM 0.8 BILLION.

6. FOREIGN DM LOANS; THE ISSUE OF THE DM 150 MILLION LOAN OF THE EUROPEAN INVESTMENT BANK (SEE BONN 18330) WAS VERY SUCCESSFUL. THE NEXT FOREIGN DM ISSUE WILL BE A DM 50 MILLION PRIVATE PLACEMENT OF THE ASIAN DEVELOPMENT BANK (COUPON 8.5 PERCENT, ISSUE PRICE 99.5, MATURITY 5 YEARS).

7. ECONOMIC INDICATORS PUBLISHED THIS WEEK: BUILDING PERMITS FOR HOUSING UNITS IN SEPTEMBER ROSE TO 33,436-1,535 OR 4.8 PERCENT MORE THAN IN AUGUST 1975 BUT 1,473 OR 4.2 PERCENT LESS THAN IN SEPTEMBER 1974. INSOLVENCIES IN SEPTEMBER TOTALED 710; THIS IS 42 OR 5.6 PERCENT LESS THAN IN AUGUST 1975 BUT 39 OR 5.8 PERCENT MORE THAN IN SEPTEMBER 1974. ACCORDING TO FIRST PRELIMINARY ESTIMATES OF THE FEDERAL STATISTICAL OFFICE, RETAIL SALES IN SEPTEMBER SURPASSED COMPARABLE 1974 LEVELS BY 12 PERCENT IN CURRENT PRICES AND BY 6 PERCENT IN CONSTANT (1970) PRICES. THE YEAR-TO-YEAR RATE OF INCREASE OF LIVING COSTS, WHICH ROSE FROM 5.9 PERCENT IN AUGUST TO 6.1 PERCENT IN SEPTEMBER, DECLINED TO 5.8 PERCENT IN OCTOBER.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LITIGATION, FINANCIAL DATA, BANKRUPTCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN18679
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750397-0520
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751143/aaaabmhg.tel
Line Count: 213
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 BONN 18330
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2003 by chicheje>; APPROVED <04 MAR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER 13)
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006